



Mergers & Acquisitions Microsoft Corporation vs Box Inc.

Master Thesis

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ABSTRACT

Technology's rapid shifts have put cloud computing as the edge companies must have in order to succeed and stay relevant in an industry where innovation is key.

Realizing this, Microsoft's CEO, Satya Nadella, changed the technology giant's strategic focus towards, what he calls, a "cloud-first, mobile-first world".

In this context comes Box – a highly promising cloud-based enterprise content collaboration platform that allows organizations to securely manage their content and collaborate internally and externally. Its platform is considered superior to that of its peers, allowing the recently listed company to gather a large user base, with over 39 million people and 50.000 organizations using its service. However, its high customer acquisition cost has been dampening its margins and postponing profitability until 5 years time, drifting many investors away from the company, making its share price to drop in recent months. This makes Box a very desirable target for Microsoft's envisioned cloud-first world, as Microsoft has all the needed expertise to make Box profitable in the near-term and create the leader in the crowded cloud computing industry.

This dissertation will evaluate the possibility of the acquisition of Box by Microsoft. The proposal is supported by a review of the main literature on M&A and valuation, an extensive industry and company analysis, and a valuation of each individual firm and its combination.

It is concluded, based upon the several analyses conducted throughout the dissertation, that Microsoft should acquire Box for \$2,9 billion in an all-cash deal, a 35% premium over its market capitalization.

RESUMO

As mudanças tecnológicas colocaram o *cloud computing* como a vantagem que as empresas precisam de dominar para ter sucesso e se manterem relevantes numa indústria onde inovar é essencial.

Satya Nadella, CEO da Microsoft, apercebendo-se da nova realidade, alterou a estratégia da empresa, para algo a que designou de “mundo *cloud-first* e *mobile-first*”.

É neste contexto que surge a Box – uma promissora plataforma de colaboração de conteúdos de empresas, baseada na *cloud*, permitindo às empresas gerirem de forma segura os seus conteúdos e colaborarem internamente e externamente. A plataforma da Box é considerada superior à dos seus competidores, permitindo à empresa ter mais de 39 milhões de pessoas e 50.000 empresas a usarem o seu serviço. Porém, o elevado custo de aquisição de clientes tem diminuído as margens e adiado a rentabilidade até 5 anos, levando vários investidores a procurarem alternativas, causando a descida do preço da acção em meses recentes, fazendo da Box um alvo apetecível para a Microsoft, já que possui a experiência necessária para tornar a Box rentável no curto-prazo e criar o líder na concorrida indústria de *cloud-computing*.

Esta dissertação avalia a possibilidade de aquisição da Box por parte da Microsoft, baseando-se numa revisão da literatura de M&A e *valuation*, uma análise sobre a indústria e as empresas, uma avaliação de cada empresa e da sua combinação.

Conclui-se, baseado nas análises efectuadas, que a Microsoft deve adquirir a Box por \$2,9 mil milhões num *all-cash deal*, um *premium* de 35% sobre a sua capitalização de mercado.